

Circuit Breakers

Overview

Circuit breaker credits reduce the amount of taxes collected. The circuit breaker revenue loss is the uncollectable tax levies due to the circuit breaker credits. The circuit breaker adjusted property tax distribution rates are the DLGF certified property tax rates adjusted to increase the distributions to protected funds and decrease the distributions to unprotected funds to cover to the extent possible the protected funds circuit breaker revenue loss

Circuit Breaker Credit Amount Description

Circuit breaker credits are calculated based on property tax caps (IC 6-1.1-20.6). These credits occur when net tax bills are capped at a maximum amount. The categories and level of circuit breaker credit caps are shown in the table below.

Type of property	Property tax cap
Homestead property	1% of gross assessed value
Residential property, long term care property and agricultural land	2% of gross assessed value
Nonresidential real property and personal property	3% of gross assessed value

The circuit breaker credit amount is the amount the net tax bill on each type of property exceeds the property tax cap.

Circuit Breaker Adjusted Distribution Rate Description

Circuit breaker distribution rate adjustments are made based on the circuit breaker credits reported in Section 5 columns 2, 3, and 4 of the Abstract. Any amount in any of these three columns qualifies the Abstract for Circuit Breaker distribution rate adjustments. These columns include the three types of property shown above, but do not include the over 65 circuit breaker credit.

The circuit breaker revenue loss percentage is equal to the total circuit breaker credit amount for the taxing unit divided by the taxing unit's full tax levy. The circuit breaker revenue loss does not affect all taxing units and all property tax funds equally due to protected and exempt funds. The calculations takes into account the exempt/protected fund status as maintained by DLGF and special district fund categories.

Protected funds are debt service funds. Protected funds are included in the calculation of the circuit breaker credit but are protected from circuit breaker revenue loss. Protected and exempt funds are referendum funds established after 2009 (Post 09 Referendum funds). Protected and exempt funds are property tax funds that are protected from the effect of circuit breaker revenue loss but do contribute to the creation of circuit breaker amounts.

Lake county and St. Joseph county have exceptions to both the protected and exempt fund classifications described above.

Circuit Breaker Adjusted Distribution Rate Calculation

The formula for calculating the Circuit Breaker Adjusted Distribution Rates is shown below.

$$\text{Circuit Breaker Adjusted Rate} = \phi = (\tilde{P} - \tilde{\rho} + \tilde{\Delta}) * \frac{\Delta}{\tilde{\Delta}} + \varepsilon + \rho$$

*This equation does not include negative rate or special district fund category adjustments.

P = Protected fund rate

\tilde{P} = Sector subtotal of P

$$\rho = \frac{\text{Protected fund rate}}{\text{Referendum fund rate factor}}$$

$\tilde{\rho}$ = Sector subtotal of ρ

$$\varepsilon = \frac{\text{Exempt fund rate}}{\text{Referendum fund rate factor}}$$

Δ = Funds that are neither protected nor exempt

$\tilde{\Delta}$ = Sector subtotal of Δ

Referendum fund rate factor

$$= 1 - \frac{\text{Total CB Credit Not Including Over 65 CB Credit}}{\text{Total Net Taxable Assessed Value * Approved Tax Rate} - \text{Over 65 CB Credit}}$$

County review

The Auditor of State provides a pdf report to the counties with circuit breaker credit distribution rates. We ask counties to review the Circuit Breaker report by confirming that (1) all funds included on the abstract are included on the Circuit Breaker Report and that (2) the DLGF rate shown matches the abstract.